

HILLENBRAND



Current Price \$31.86 | Target Price \$49.32 | Intrinsic Value \$39.26 | NYSE: HI

Recommendation

BUY

Key Statistics

Sector: Consumer Services

Industry: Industrial

Market Cap: \$2 billion

Beta: 1.38

P/E: 21.24

EPS: 1.50

P/B: 3.19

ROE: 15.59

ROA: 5.3

Yield: 2.56%

Dividend: 0.81

LT Growth: 15%

52 Week Range: 24.12-33.17

Catalysts

- Regulations requiring caskets
- Increasing deaths
- Expansion into more industries and geographical locations
- Increasing global population

Risks

- High Debt
- Decrease in demand for caskets
- Prices of raw materials
- Foreign currency devaluation



Company Overview

Hillenbrand is a well-diversified industrial company with several brands that serve a variety of industries worldwide. It is composed of two business segments: Batesville and The Process Equipment Group (PEG). Batesville is the market leader in the North American death care industry, specializing in the manufacturing and distributing of burial caskets, cremation caskets, containers, and urns. The PEG has five businesses that design, develop, distribute and service highly engineered industrial equipment worldwide.

Investment Thesis

Over the past 5 years, Hillenbrand has rapidly grown due to mergers and acquisitions. The expansion of The Process Equipment Group (PEG) has allowed Hillenbrand's revenues to drastically increase, which now accounts for 62% of the firm's total revenues. Batesville provides the other 38% of revenues and serves as a steady income source that is only expected to increase as deaths in the United States rise. Hillenbrand is a market leader through Batesville and many of the businesses from the PEG. The firm has developed into a globally diversified company with a strong foundation that is committed to growth and increasing shareholder value.

Highlights

Hillenbrand started as a death care company and has managed to diversify through mergers and acquisitions. In 2007, Hillenbrand Industries separated into Hill-Rom and Hillenbrand Inc. (Batesville). Later, Hillenbrand started acquiring entities for its Process Equipment Group segment.

- 2010 - K-Tron acquisition that included Terra Source



- 2011 - Rotex acquisition



- 2012 - Coperion acquisition
- 2013 - K-Tron merges with Coperion



- 2015 - Abel Pumps acquisition



- 2016 - Red Valve Acquisition



Catalysts

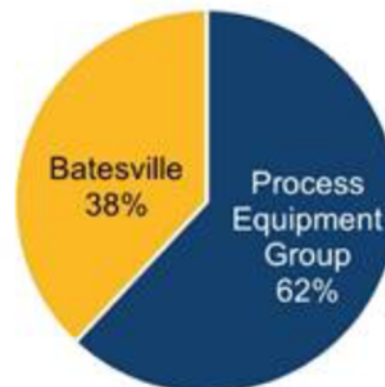
- Dying in the United States is very expensive. Burial caskets are often the single highest expense for funerals. Batesville is the biggest producer of caskets in North America, with over 51% market share. Their caskets range from \$600 to over \$10,000. Federal laws don't require the use of a burial casket and state laws vary by state. However, cemeteries do require some sort of burial casket. As established by the Funeral Rule by the federal trade commission, people have the right to purchase caskets from outside of the funeral home.

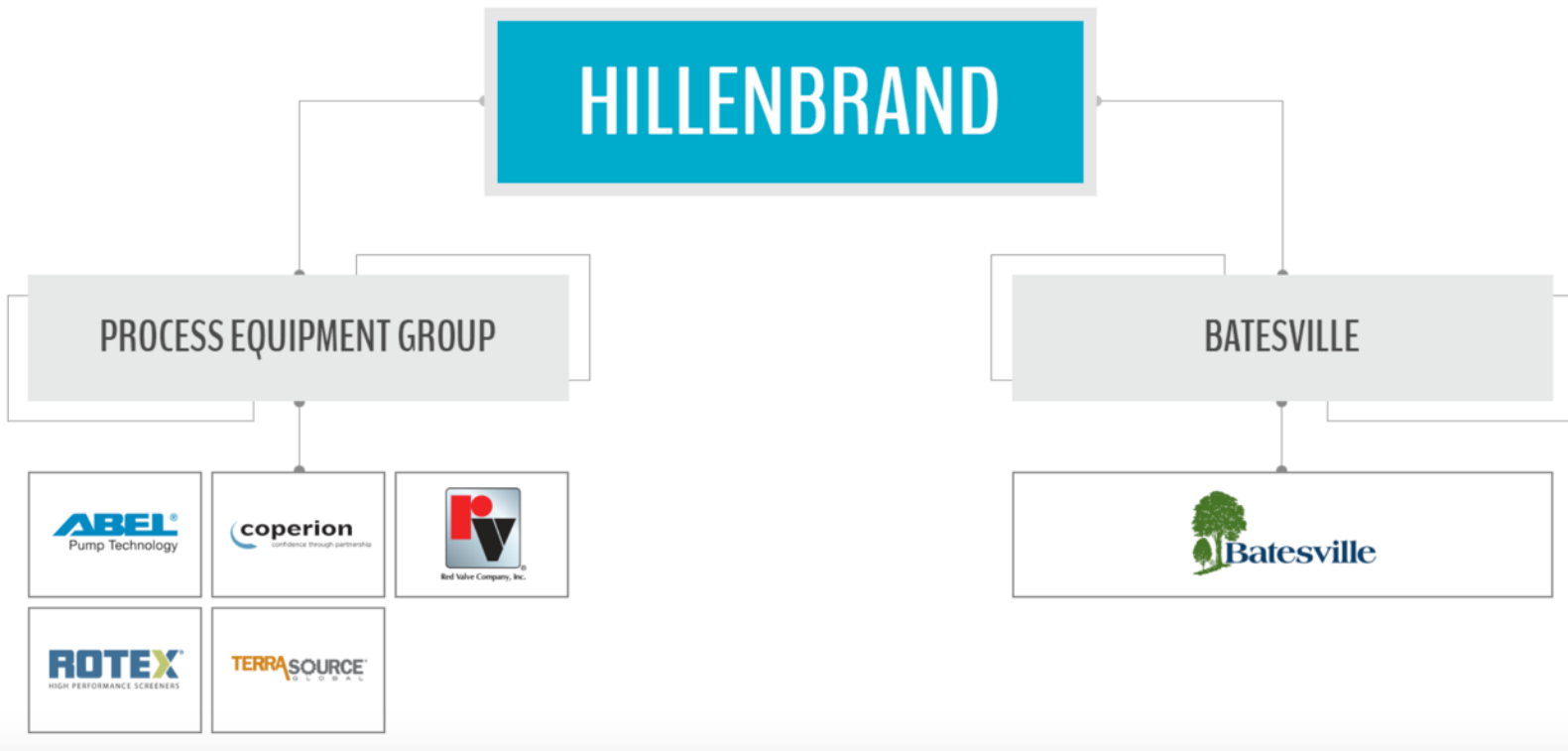
- Deaths in the United States have been increasing in the past few years, and death tolls are expected to continue to rise. As the 75.4 million baby boomers reach the end of their life span, Batesville's casket and cremation urns business will reach new heights.

- The businesses of the PEG cater to a variety of industries: plastics, minerals and mining, chemicals, processed food, water and wastewater, forest products, grains, oil seed, and pharmaceutical. The diversity among industries minimizes the risk of Hillenbrand being a effect by downward trends in any single industry. PEG entities are also expanding globally in countries such as Europe, Asia, and the Americas.

- An increasing global population rises the demand for plastics, food, and energy, which are industries that Hillenbrand leads in.

Business Segments





Batesville

Batesville is a recognized leader in the North American death care industry, where it has been designing, manufacturing, distributing, and selling funeral service products and solutions to licensed funeral directors operating licensed funeral homes for more than 100 years. Batesville-branded products include: burial caskets; cremation caskets and urns; selection room display arrangements for funeral homes; personalization and memorialization products and services; and web-based applications that include funeral planning, website products, and back office software for licensed funeral homes. Also, it develops and markets comprehensive operational management software solutions for cemeteries.

Attractive fundamentals

- Historically predictable strong cash flow and attractive margins
- Historically high return on invested capital
- Substantial brand value and recognition combined with quality service and a strong customer base.

Primary Solution Platforms

Burial Solutions

Batesville is recognized for its innovation in materials, design, and proprietary features, being at the forefront of casket innovation over the past 60 years.

Types of Caskets:

- Metal - welded and utilize rubber gaskets and a locking bar mechanism
- Gasketed - made of carbon steel, stainless steel, copper, and bronze
- Premium steel - also employ an anode bar to provide cathodic protection from rust and corrosion, a feature found only on Batesville-produced caskets.
- Solid and veneer hardwood caskets - are made from a variety of woods, which are offered in nine different species. They manufactured using a proprietary process for veneering that allows for rounded covers and a furniture-grade finished appearance.
- Batesville also manufactures Marsellus premium solid wood caskets, as well as cloth-covered and all-wood construction caskets, which are also suitable for green burials.

Cremation Options

The Cremation Options business is focused on helping funeral professionals capitalize on the growing consumer trend to select cremation. In addition to a broad line of cremation caskets, containers, and urns, Options offers training, merchandising, packaging support, and a complete line of marketing support materials to educate funeral directors and consumers on product and service options. Cremation caskets and containers are manufactured primarily of hardwoods and fiberboard. Batesville's memorial urns are made from a variety of materials including bronze, wood, acrylic, cloisonné, brass, and marble. Also, it offers a broad selection of biodegradable and scattering urns.

Memorial Solutions

This collection includes both memorial products, and product personalization offerings. Many of these solutions are durable goods such as remembrance jewelry, LifeSymbols corners, LifeStories display medallions and tribute panels, product engraving, and cremation keepsakes, in addition to soft lines such as FTD flowers and video tributes.

Technology Solutions

Batesville is the leading partner to approximately 5,000 funeral homes and cemeteries across North America. It offers a suite of integrated, easy-to-use technology products and services, including Weblink websites (both standard and customized), business management software, and funeral arrangement planning software solutions. All of these technology products are designed to support customers by: (1) creating marketing and revenue opportunities, (2) making processes easier and more efficient, and (3) enhancing relationships between funeral professionals and the families they serve.

Batesville has exclusive agreements with leading brands such as: Legacy.com, an online obituary network provider; and FTD, a national provider of sympathy flowers and gifts that can be ordered directly from the funeral home's website. Customers benefit from these brands through increased web consumer traffic through the Legacy network and having trusted providers of sympathy products right on their websites.

Sales, Distribution, and Operations

Batesville offers several marketing and merchandising programs to funeral professionals. Batesville-branded caskets are marketed by a direct sales force only to licensed funeral professionals operating licensed funeral establishments throughout the U.S., Puerto Rico, Canada, Mexico, the United Kingdom, and Australia. Batesville also markets its products to select independent distribution facilities as well as full-service funeral establishments offering funeral products in conformance with state law in states that do not have specific licensing requirements.

Batesville has sales contracts in place with certain national death care service providers and also serves more than 12,000 independent, privately owned funeral homes across North America. Also, none of Batesville's customers accounted for more than 10% of Hillenbrand's consolidated revenue during 2015.

Raw Materials

Batesville uses carbon and stainless steel, copper and bronze sheets, wood, fabrics, finishing materials, rubber gaskets, plastic and zinc in the manufacture of its caskets. Although most of these raw materials are generally available from several sources, some are currently procured from a single source.

Volatility in the prices Batesville pays for raw materials used in its products, including steel, fuel, petroleum-based products, and fuel-related delivery costs, has a direct effect on profitability. Batesville generally does not engage in hedging transactions for these purchases but does enter into fixed-price supply contracts at times. It regularly takes steps to mitigate the impact of volatility in raw material and fuel prices, including executing lean initiatives and various sourcing actions.

Business Strategy

Sustaining volume in the burial casket space continues to be its top priority. Batesville's leadership team is focused on two strategic initiatives to sustain burial volume:

- Grow their leadership position in the death care industry
 - Focus on building and delivering value propositions that align with the needs of key customer segments
- Utilize the Hillenbrand Operating Model principles and tools to maintain an optimal cost structure to support growth
 - Continually improve processes that are more consistent, efficient, and clearly yield industry leading quality products and services



The Process Equipment Group

The Process Equipment Group is a leading global provider of compounding, extrusion, material handling, size reduction, screening and separating, flow control products, and services for a wide variety of manufacturing and other industrial processes.

Attractive Fundamentals

- Strong diversification from multiple product lines and geographic operations
- Historically stable revenue and attractive margins from machinery parts and service business
- Highly diversified customer base with a strong history of long-term relationships with blue-chip companies
- Industry-leading products with substantial brand value and recognition, combined with industry-leading applications and engineering expertise

Categories

• **Compounding, Extrusion, and Material Handling Equipment**

- Compounding machines range from small laboratory machines to high performance extrusion systems.
- Extrusion systems are sold for base resin production to customers in the polyolefin industry.
- Material handling equipment includes pneumatic conveying equipment for difficult-to-move materials; high-precision feeders that can operate at both very high and very low fill rates.
- Compounding, extrusion, and material handling equipment can also be sold as a complete system; these larger system sales are generally fulfilled over 12 to 18 months.

Sold under: Coperion and Coperion K-Tron™ brands

• **Flow Control Solutions**

- Flow control solutions transfer abrasive or corrosive fluids and fluids with a high sludge or solids content for mission critical applications. This equipment uses piston and piston diaphragm pump technology that lends itself to less wear and tear over time compared to other pumping technologies

Sold under: Abel

• **Screening and Separating Equipment**

- The equipment uses a unique patented technology based on a specific gyrator reciprocate motion that provides an optimal material distribution on the screens, gentle handling of particles, and accurate separations

Sold under: Rotex brand

• **Replacement Parts and Service (35% of the group's total revenue)**

The machinery parts and service division offers customers service consulting, training, maintenance and repairs, wear and spare parts, and modernization of machinery

Sales, Distributions, and Operations

The Process Equipment Group sells equipment and systems throughout the world using a combination of direct sales and a global network of independent sales representatives and distributors. A part of the Process Equipment Group's sales, especially in North America, is made through independent sales representatives who are compensated by commission.

Equipment and systems orders are often for unique, engineered-to-order items. Therefore, the Process Equipment Group does not typically maintain significant amounts of raw material and component stock inventory on hand at any one time, except to cover replacement part orders. Products are either assembled and tested at Process Equipment Group facilities and then shipped to a customer or are assembled at the customer's desired location.

HILLENBRAND



Business Strategy

Leadership of the Process Equipment Group is focused on three strategic initiatives to drive growth:

- Profitably grow top-line revenue
 - Establish scope and scale to accelerate global growth by improving access to under-penetrated foreign markets such as Brazil, Russia, India, and China
- Continue to grow through acquisitions
 - Leverage the Hillenbrand Operating Model (HOM) to generate high and sustainable profit margins with a relatively low physical asset base

Competitive Advantage

Competitive Landscape

Hillenbrand competes in several competitive industries. It does not compete directly with any single company with respect to its entire range of products & services. However, each of Hillenbrand's independent businesses competes within its respective industry. Given the diversity of the Process Equipment Group segment, the businesses within PEG correspond to various sub industries within the Industrial Machinery & Equipment Wholesaling industry. Competitors range in various sizes from small, privately held niche companies to larger, well-known global companies serving national and international markets with multiple product lines. Top competitors include: Badger Meter Inc, Wilbert Inc, Heat and Control Inc, and Key Technology Inc.

As the largest casket manufacturer in North America, Batesville is a leader in the death care industry. Batesville competes with several national casket manufacturers, regional casket distributors, and foreign manufacturers, most of whom serve fairly narrow geographic segments. Some non-traditional death care providers, such as large discount retail stores, casket stores, and online casket retailers have become direct competitors. Top competitors include: Matthews International Corporation, Costco Wholesale Corporation, Goliath Casket Inc, Aurora Casket Company LLC, and Wal-Mart Stores Inc. Competition in this industry is based on product quality, service, price, delivery, design features and personalization. However, Batesville faces fierce competition from Service Corporation International in the progressively popular cremation services industry. The Cremation Services industry is highly fragmented because of time and geographic concerns, where consumers often rely on local operators to fulfill cremation needs. Nevertheless, Service Corporation International has the largest scope on the industry and makes up a 9.8% market share.

Competitive Moat

Hillenbrand has a diverse business portfolio that other competitors are unable to match. The Process Equipment Group (PEG) segment operates in highly profitable niche businesses offering value-added products that serve narrowly defined markets. PEG is comprised of a portfolio of businesses with strong market positions and well-recognized brand names within their respective markets. Hillenbrand's diversification into multiple industries offers the opportunity to grow market share in less-cyclical industries and welcomes additional exposure to lucrative aftermarket opportunities. Within certain existing industries, PEG has the ability to leverage existing sales channels to introduce new products and cross sell product lines from within. Most importantly, the Process Equipment Group segment has the ability to preserve leading market positions during economic downturns through strategic pricing, continuing product differentiation in more favorable product mixes, and utilizing its strong worldwide network of suppliers and dealers reinforcing its bargaining power.

Under its Batesville segment, it controls a recognized leader in the North American death care industry, where they dominate the manufacture and sale of funeral service products. Batesville has become increasingly more independent in the death care industry, where they provide a comprehensive line of products/services such as burial caskets, cremation options, containers & urns, and other personalization and memorialization products. Batesville is the leading casket manufacturer in North America and through its scaled economies in manufacturing it has provided Hillenbrand with a historically proven source of strong cash flow and attractive margins. With a history spanning over 100 years, Batesville has developed substantial brand value and recognition in the death care market; as a result they have established a strong customer base. Given the time-sensitive nature of casket delivery, Batesville's dense distribution network provides a real sustainable competitive edge over low-cost foreign competitors.

Products by Brands

Abel

Abel is recognized around the world as the technological leader in diaphragm pumps; provides lifetime service available around the clock

Customers in: mining , water and wastewater management, ceramics, chemical industry, oil and gas industries, energy industry



Coperion

Coperion is the worldwide market and technology leader in compounding and extrusion, materials handling and service. Coperion is also a partner for global corporations and small to medium-sized enterprises in the plastics, chemicals, food and aluminum industries. As an integrated technology provider, Coperion uses their comprehensive system and process expertise to implement individual solutions for compounding technology and bulk materials handling for their customers. This covers the full added value chain of the production process from consultation and planning, through engineering, process optimization, manufacturing, delivery, installation and commissioning through their worldwide service network. The company collaborates with their customers on innovative, new, and further developed components, machines and systems, forming the basis for long-lasting partnerships, where the focus is on the benefit for the customer together with efficiency, reliability, and quality.

- Covers all area of the value chain
- Long Term relationship with blue chip companies
- Equipment for : automotive, toothbrushes, chewing gum, cereals, PVC Flooring, and fertilizers
- Growth through - value chain approach, global expansion, and industry coverage

Customers in: pharmaceutical, food, chemical, and polymer industries



Red Valve

Red Valve is the largest manufacturer and supplier of pinch and check valves, and is the preferred supplier for municipalities and industrial plants worldwide. Red Valve has multiple patent protections on their designs. Red Valve's products are strong enough to handle abrasive materials used in modern power plants that typical metal, ball or plug valves can't withstand.

Valves Manage the Toughest Flow Applications In:

- Wastewater Treatment Plants - Sludge Handling, Grit Removal, Raw Sewage, Lime, Carbon Slurry
- Power Plants - FGD Systems, Scrubber Systems, Coal Handling
- Mining - Tailings, Flotation Control, Thickener Underflow Lines, Numerous Other Slurry Applications
- Chemical Processes - Corrosive and Abrasive Materials, Powders, Pellets

Many other industries, such as pulp and paper, electronics, food, cement, sand, glass and industrial treatment plants, present difficult challenges for which Red Valve products are ideally suited.



Rotex

For more than 100 years, Rotex has been a pioneer and global leader in the development of screening equipment and technology across a broad range of process industries. Its key screeners are rotax, apax, and mineral separator. Rotex engineers and manufactures a full line of leading-edge screening equipment, feeders, and automated analyzers serving a global market in such industries as chemical processing, food processing, mineral processing, plastic compounding, and agribusiness. Its machines worldwide drive its aftermarket business, which accounts for over 40% of its revenues.



Terra Source Global

Comprised three brands: Pennsylvania Crusher, Gundlach Equipment, and Jeffrey Rader. They serve three distinct areas and markets.

- Pennsylvania Crusher- has more crushers installed in North America than any other company
- Gundlach Equipment- ability to create customize equipment, in particular for the coal, fertilizer, power plant, and chemical industries.
- Jeffrey Rader- primarily serves the forest products industry. Other are coal, chemical, paper, biomass industries. Targeted areas of growth: coal fire power plants and coal mining in china, india, Russia, and biomass in Europe.

Its companies primarily produce and sell size reduction equipment, such as hammer-mills, sizers, roll crushers, and wood hogs, as well as pneumatic conveying systems and screening equipment. TerraSource Global equipment is used to resize various materials to a given smaller size.

Revenues :40% new equipment , 60% replacement parts



Economy of Industries

Plastics Industry

The plastics industry is the third largest manufacturing industry in the United States, providing significantly to the nation's economy. The plastics industry represents processors and manufacturers of machinery, molds, and raw materials. They together amount for the third largest manufacturing industry in the United States. Plastics play a vital role in the delivery of a myriad of products that enhance every aspect of our lives including automotive, health and medical, construction, and recreation.

During the recession, the plastics industry took a hit. Industrial shipments fell, raw material costs decreased, and total value added fell as well. The U.S. plastics industry remains one of the few manufacturing sectors with a trade surplus. The industry's trade surplus fell 32 percent to \$7.1 billion in 2015, largely because of lower selling prices for plastic resin. As in previous years, all of the industry's surplus comes from resin, with trade deficits continuing in plastic products, molds and machinery.

Machine Maintenance and Repair Services

The economic recovery of the past five years has led to increased business activity and, therefore, growth in M&E depreciation. It also bolstered profit margins for the downstream sectors using this industry's services. As a result, customers' need and ability to pay for M&R has increased, aiding demand for industry services. IBISWorld expects industry revenue to grow over the five years to 2016, at an annualized rate of 2.0% to \$37.1 billion, including a projected 0.8% increase in 2016 alone.

Although industry revenue grew in the past five years due to increased demand from downstream industries, growth has slowed over the second half of the period. Because downstream business activity and profit margins have grown rapidly over the second half of the five-year period to 2016, businesses have increasingly been opting to replace instead of repair old M&E, thereby depriving industry operators of demand. In response, however, industry operators are increasingly offering preventive and predictive maintenance services. Such services involve routine inspections and small repairs of M&E to avoid large and expensive repairs that can shut down operations.

The Machinery Maintenance & Heavy Equipment Repair Services industry is expected to continue growing in the five years to 2021. As economic growth continues, downstream business activity and profit margins are expected to rise more rapidly, leading to greater demand for M&R services. During this period, however, downstream businesses are expected to increasingly replace instead of repair old M&E, constraining growth in demand for M&R services. However, as this new M&E comes under wear and tear, demand for industry services is expected to grow consistently over the next five years. As a result, industry revenue is expected to increase at an annualized rate of 2.1% to \$41.1 billion over the five years to 2021.

When consumer spending increases, so does business activity for commercial and service industries. This causes the machinery and equipment (M&E) that these industries use to depreciate, necessitating more frequent repairs and maintenance of old M&E, which raises demand for industry services. Consumer spending is expected to rise in 2016.

Steel is a major input in the production of the majority of M&E that this industry repairs and maintains. When the price of steel rises, it becomes more costly to produce new M&E, which in turn often rises in price. Under such circumstances, businesses are more likely to delay new M&E purchases and instead increase their spending on repairs of old M&E, boosting demand for industry services. The world price of steel is expected to fall in 2016.

The agricultural and forestry sectors are key downstream markets for repair and maintenance operators. As agricultural and forestry business activity increases, the M&E that these industries use deteriorates and requires more frequent repairs, bolstering demand for industry repair services. Demand from agriculture, forestry, fishing and hunting is expected to slightly decrease in 2016.

Raw Materials Industry

Hillenbrand uses a variety of raw materials in Batesville and The Process Equipment Group: sheet metals, steel, copper, carbon, wood, fabrics, finishing materials, rubber gaskets, zinc, and magnesium alloy. Steel is the main raw material that is crucial to production in both of Hillenbrand's business segments. The world's largest producer of steel is China, whom currently accounts for over 50% of the world steel. Steel is the most crucial raw material used in the productions of Batesville's caskets and the production of the Process Equipment Group's industrial machines and parts. As of early 2016, steel production decreased 0.5% worldwide. This resulted as a decrease in demand throughout several industries. The cost of steel also decreased aligned to both production and demand.

Foreign Markets

Foreign markets will provide Process Equipment Group a promising opportunity to support its long-term growth through encouraging economic & demographic movements. The rapid growth in the middle class of China & India and the overall upsurge in the global population offers Hillenbrand larger markets to sell their products.

Despite a recent slowdown, steel-intensive manufacturing and construction activity in large developing economies, such as China and India are expected to continue expanding at a steady rate over the five years through 2021. Continued industrialization of emerging markets is projected to spur modest average annual revenue growth of 3.1% to total \$113.9 billion in the five years to 2021. China and India's new projected demand for steel will require a large volume of imports to satisfy their urbanization and industrialization aspirations. American and European companies should expect a stronger economic growth due to these rising demand for steel in those areas over the five years through 2021.

Mining

The U.S. mining industry has taken a downturn over the past few years. This is a direct result from the growing significance of alternative energy materials and the decreasing national consumption on coal. Over the past five years, coal consumption has growth the slowest of the energy sources. By 2020, industry revenue is anticipated to decline at an average annual rate of 3.2% to total \$19.7 billion, including a fall of 8.5% in 2015. The industry is exposed to demand trend from foreign markets particularly with the China.

Growth in the U.S. mining industry is largely driven by domestic demand for coal, increased construction activity, and national economic expansion. Due to the increasing trend from mining companies selling directly to end market customers, a demand for new technologies and innovation is being increasingly sought out by coal and ore wholesalers to preserve market position.

Death Care

The death care industry is starting to undergo significant changes as the market is tilting towards previously less- popular cost-effective alternatives. Cremation services have experience strong recent growth over the past five years because of cost considerations, environmental reasons, religious considerations and changing consumer preferences. According to the National Funeral Directors Association, cremation surpassed burial as the favored means of post-death disposition in 2015, and projects that 56.2% of deceased Americans will be cremated by 2020. Although demographic trends that have driven the cremation service industry are not anticipated to reverse, the coffin & casket manufacturing industry does hold the largest consumer preference in the market. Adults aged 65 and older make up the largest demographic group for the death care industry and they prefer the coffin & casket service over cremation. This is the main driver for casket manufacturers growth as their revenue are set to benefit from a large increase in volume, however they are also faced with the headwind of a changing consumer preference.

Risks

Significant Amount of Debt

Hillenbrand has an outstanding debt of \$637 million. A key component of Hillenbrand's growth strategy is making significant acquisitions into niche industrial businesses. Any sort of volatility or impairment on these acquisitions will weaken the value of the company and limit their ability to respond to future changes in M&A activities. Nevertheless, Hillenbrand ability to leverage their historically proven cash flows generated from Batesville casket product line is capable of offsetting this aggressive acquisition strategy and debt levels.

Demand mitigating away from caskets

The increasing popularity of cost-effective alternatives for means of post-death dispositions are expected to have a negative effect on Batesville's sale volume on burial caskets. According to the National Funeral Directors Association, cremation has become the favored means of post-death disposition in 2015 and accounted for 48.5% of the death care services. The effect of declining casket demand continues to place additional economic pressures on casket manufacturers and distributors as they seek to maintain volume. Although the cost of burial is about 40.0% higher than that cremation, the number of adults aged 65+ represents the largest market that prefers coffins and caskets. The strong and large demographic preference on traditional high margin caskets is set to offset adverse market mitigating demand.

Vulnerable to Price Volatility of Raw Materials

The Process Equipment Group segment derives significant revenues from the plastic and energy industry. Any decrease in demand for plastic, electricity, oil, natural gas, or coal, or tighter regulation of the industry, could have a material adverse effect on their business and operations.

Foreign Currency Devaluation

43% of Hillenbrand's revenue came from operations outside the U.S. for 2015. This revenue is primarily generated in Europe, the Middle East, Asia, South America, and Canada. As a result, Hillenbrand is exposed to currency exchange rate risk where currency fluctuations can affect the financial statement translations in their foreign operations. The translations for foreign operations in currencies other than the U.S. dollar will be vulnerable to the U.S. dollar strength and can result in a negative impact on Hillenbrand's stock price. Management plans to offset this translation exposure through regular operating and financing activities, and through the use of derivative financial instruments.

Valuation Models

EV/EBITDA Model

		EBITDA						
		213.4	218.9	224.5	230.3	236.0	241.9	248.0
EV/EBITDA Multiple	10.50	35.46	36.37	37.30	38.26	39.21	40.19	41.20
	11.00	37.15	38.10	39.08	40.08	41.08	42.11	43.16
	11.50	38.83	39.83	40.85	41.90	42.95	44.02	45.12
	12.00	40.52	41.56	42.63	43.72	44.81	45.93	47.08
	12.50	42.21	43.29	44.40	45.54	46.68	47.85	49.04

Price to Earnings Models

Price/Earnings Constant Model					
	2016	2017	2018	2019	2020
EPS	1.58	1.81	2.02	2.22	2.50
P/E	21.01	21.01	21.01	21.01	21.01
Price	33.24	37.93	42.49	46.58	52.47
Price/Earnings Expansion Model					
	2016	2017	2018	2019	2020
EPS	1.58	1.81	2.02	2.22	2.50
P/E	21.25	21.51	21.77	22.05	22.31
Price	33.62	38.84	44.02	48.88	55.71
Price/Earnings Contraction Model					
	2016	2017	2018	2019	2020
EPS	1.58	1.81	2.02	2.22	2.50
P/E	20.75	20.5	20.25	20	19.75
Price	32.82	37.01	40.95	44.34	49.32

Free Cash Flow to Equity Model

Select Operating Data					
	2016	2017	2018	2019	2020
Net Income	99.8	113.7	127.2	139.2	156.6
Net Capital Expenditures	(3.8)	(4.7)	(3.9)	(1.8)	0.8
Changes in Net Working Capital	(41.0)	21.8	36.3	20.5	30.2
New Debt	105.9	0.0	0.0	0.0	0.0
Debt Repayment	0.0	(29.7)	(23.8)	(17.1)	(13.8)
FCFE	160.8	101.1	135.8	140.8	173.7

		Discounted Values				
Discount Rate	10.0%	146.2	83.6	102.0	96.2	2,053.4
Terminal value per share	\$49.32					
Intrinsic Value	2,481.41					
Number of shares	63.2					
Intrinsic Value per share	\$39.26					

Hillenbrand Management



Joe A. Raver

Hillenbrand President and CEO

Joe was named President and Chief Executive Officer in 2013. He previously served as president of Hillenbrand's Process Equipment Group Platform. Prior to these roles, he spent 18-years in various key positions with Hillenbrand. He also served as president of Batesville for three years. Before that, Mr. Raver held the position of vice president and general manager of the Respiratory Care Division at Hill-Rom, a leading global provider of medical technologies. From 1994 until 2004, Mr. Raver held leadership roles with Batesville in the areas of merchandising, strategy, and logistics.



Kristina A. Cerniglia

Senior VP and Chief Financial Officer

Ms. Kristina Cerniglia is the Senior Vice President and Chief Financial Officer (CFO) of Hillenbrand Inc., a global diversified industrial company headquartered in Batesville, Indiana. In this role, she leads the company's finance organization, overseeing financial planning and analysis, reporting, tax, treasury, investor relations, and internal audit. Ms. Cerniglia also plays a critical role in shaping Hillenbrand's strategy as well as leading the company's engagement with investors and analysts. Ms. Cerniglia has more than 25 years of industrial experience.



Diane R. Bohman, CPA

Senior VP and Chief Administrative Officer

Diane is the Senior Vice President and Chief Administrative Officer for Hillenbrand. In this position, she leads the enterprise information systems, human resources, legal, and public policy functions. Diane previously served as senior vice president of integration. In that role, she worked to ensure Coperion's successful integration into the company after they were acquired by Hillenbrand in 2012. Prior to that, she served as vice president, logistics; vice president and chief financial officer; and vice president, strategy, for Batesville Casket Company from 2005 to 2011.



Kimberly K. Ryan

Senior VP, Hillenbrand, Inc. President, Coperion

Kim is the President of Coperion, an operating company of Hillenbrand, Inc. (NYSE: HI) and the world market and technology leader for compounding & extrusion, materials handling and service. Previously, Kim served in a number of senior roles at Hillenbrand including President of Batesville. She started her career with Batesville Casket Company in 1989, and during her 25 years in the Hillenbrand organization, has worked in finance, strategy, new product development, logistics, information technology, sales and marketing.



Chris Trainor

Senior VP, Hillenbrand, Inc. President, Batesville

Chris was recently named President Batesville Casket Company in April 2015, after having served as Sr. Vice President, CFO and Chief Administrative Officer. Chris joined Batesville in 2010 as Vice President and Chief Financial Officer and was later assigned additional responsibilities for oversight of Human Resources and Information Technology. Prior to joining Batesville, Chris spent seventeen years with Kraft Foods where he held a variety of finance roles in both the United States and United Kingdom.

Student Analysts

Laura Del Castillo

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A finance and MIS double-major, Laura Del Castillo aspires to work in equity research. She is well on her way as she has held three internships in the finance industry. She worked as a financial operations consultant at JPMorgan, served as a credit risk management intern at Raymond James, and interned as a controller at Goldman Sachs. Del Castillo is an active leader and has performed numerous positions such as president of Toastmasters, co-leader for a career workshop, and coordinator for a ProLife missionary trip. Also, she speaks three languages and is an artist and pianist.



Samuel Rodas

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Samuel Rodas is a Peruvian native whose family moved to the United States when he was 8 years old. Rodas is the first in his family to attend college. He has held an internship at Wells Fargo Advisors, where he assisted two financial advisors. Rodas is a member in two honor societies: Phi Theta Kappa and the National Society of Collegiate Scholars. He is also a member of the Student Finance Association. Rodas aspires to work in corporate finance and to earn a master's degree in finance.



José Ortiz

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Jose Ortiz spent two of high school years in his homeland of Mexico, saying the experience helped him better understand Latin American culture and how business operates there. He joined USF as a member of the invitation-only Bulls Business Community which serves high-achieving students. Ortiz enjoyed the experience so much that he volunteered to mentor three incoming business students the following year. His finance acumen, bi-lingual skills, and understanding of Latin American business led to an internship in Miami for Beta Capital Management. There he handled equity research and conducted anti-money laundering investigations.



Philip Gelia

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Philip Gelia is pursuing a dual degree in accounting and finance. As an accounting major, he served as an intern in the Tax Department with public accounting firm CBIZ MHM, preparing tax returns for clients with some more than \$100 million in revenues. Although the firm has offered him a full-time position for after he graduates, he decided to pursue finance opportunities to apply his finance degree in a real world situation. He aspires to build a career in asset management.



Appendix

Hillenbrand, Inc.										
Income Statement (in millions)	2011	2012	2013	2014	2015	2016P	2017P	2018P	2019P	2020P
Net revenue	883.4	983.2	1,553.4	1,667.2	1,596.8	1,470.8	1,544.4	1,606.1	1,654.3	1,695.7
Cost of goods sold	513.5	594.3	1,034.7	1,078.0	1,026.4	941.3	988.4	1,019.9	1,042.2	1,059.8
Gross profit	369.9	388.9	518.7	589.2	570.4	529.5	556.0	586.2	612.1	635.9
Operating expenses	175.2	199.7	311.2	356.3	304.4	301.5	308.9	321.2	330.9	330.7
Operating profit	194.7	189.2	207.5	232.9	266.0	228.0	247.1	265.0	281.2	305.2
Depreciation expense	36.1	40.4	25.3	26.8	26.2	26.8	27.5	28.2	28.5	28.3
Amortization expense	0.0	0.0	64.1	31.6	28.1	33.5	32.0	30.1	28.8	28.3
Pension settlement charge	0.0	0.0	0.0	0.0	17.7	0.0	0.0	0.0	0.0	0.0
Interest expense	11.0	12.4	24.0	23.3	23.8	23.8	23.8	23.8	23.8	23.8
Other (expense) income, net	10.2	(1.5)	(0.4)	8.7	(7.9)	2.3	2.5	2.7	2.8	3.1
Income before income taxes	157.8	134.9	93.7	159.9	162.3	146.2	166.3	185.6	202.9	227.9
Income tax expense	51.7	30.1	28.3	48.7	49.1	44.6	50.7	56.6	61.9	69.5
Consolidated net income	106.1	104.8	65.4	111.2	113.2	101.6	115.5	129.0	141.0	158.4
Less: Net income attributable to noncontrolling interests	0.0	0.0	2.0	1.5	1.8	1.8	1.8	1.8	1.8	1.8
Net income	106.1	104.8	63.4	109.7	111.4	99.8	113.7	127.2	139.2	156.6
Common shares	62.0	62.2	62.7	63.2	63.2	63.1	63.0	62.9	62.8	62.7
Dividends	0.76	0.77	0.78	0.79	0.80	0.81	0.82	0.83	0.84	0.85
Dividends paid out	47.1	47.9	48.9	49.9	50.6	51.1	51.7	52.2	52.8	53.3
Earnings per Share	1.71	1.68	1.01	1.74	1.76	1.58	1.81	2.02	2.22	2.50

	Hillenbrand Inc.									
Balance Sheet (in millions)	2011	2012	2013	2014	2015	2016P	2017P	2018P	2019P	2020P
Current Assets										
Cash and cash equivalents	115.5	20.2	42.7	58.0	48.3	44.5	46.7	53.6	55.2	56.6
Trade receivables, net	131.7	150.7	213.4	191.0	187.9	172.8	181.5	198.7	202.4	205.2
Unbilled receivables from long-term manufacturing contracts	0.0	0.0	158.9	149.3	144.9	133.5	140.1	145.7	150.1	163.9
Inventories	83.7	90.0	177.5	168.5	153.6	141.5	153.6	166.7	182.7	197.3
Deferred income taxes	28.3	19.6	22.3	30.5	21.9	20.2	21.2	22.0	22.7	25.3
Prepaid expenses	20.9	15.1	20.4	19.0	23.8	23.8	25.0	26.0	26.8	27.4
Other current assets	0.0	9.7	21.0	21.5	23.7	26.8	28.2	29.3	30.2	30.9
Total current assets	380.1	305.3	656.160106	637.8	604.1	563.06011	596.21311	642.06164	670.02349	706.57407
Property, plant, and equipment, net	120.6	117.9	171.9	159.5	158.3	171.9	184.3	194.0	199.4	200.4
Intangible assets, net	332.8	313.9	558.6	510.5	459.6	548.4	524.9	492.9	472.9	464.0
Goodwill	300.0	303.7	585.8	570.7	544.0	635.8	693.0	751.9	804.6	844.8
Investments	17.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	29.8	46.7	47.5	40.0	42.1	38.3	40.2	41.8	43.1	44.2
Total Assets	1180.7	1087.5	2019.96011	1918.5	1808.1	1957.4371	2038.7349	2122.7021	2189.9527	2259.8971
Current Liabilities										
Trade accounts payable	30.5	35.3	181.4	192.6	104.3	104.3	109.5	113.9	117.3	120.2
Liabilities from long-term manufacturing contracts and advances	0.0	15.9	80.9	76.1	79.7	79.7	79.7	79.7	79.7	79.7
Current portion of long-term debt	0.0	0.0	10.0	15.0	9.4	9.4	9.4	9.4	9.4	9.4
Accrued compensation	36.6	29.3	59.6	69.6	62.3	62.3	62.3	62.3	62.3	62.3
Deferred income taxes	38.2	0.9	12.1	20.7	25.4	25.4	25.4	25.4	25.4	25.4
Other current liabilities	30.9	70.4	121.5	117.1	123.1	123.1	129.3	134.4	138.5	141.9
Total current liabilities	136.2	151.8	465.5	491.1	404.2	404.2	415.57	425.1208	432.57042	438.96468
Long-term debt	431.5	271.6	654.3	543.5	518.7	624.6	594.9	571.1	553.9	540.1
Accrued pension and postretirement healthcare	108.5	111.8	190.3	200.9	218.7	218.7	218.7	218.7	218.7	218.7
Deferred income taxes	30.1	21.7	75.4	55.4	29.4	29.4	29.4	29.4	29.4	29.4
Other long-term liabilities	31.3	24.3	41.4	33.8	31.3	31.3	32.9	34.2	35.2	36.1
Total Liabilities	737.6	581.2	1426.9	1324.7	1202.3	1308.2	1291.405	1278.4756	1269.8184	1263.2442
Shareholders Equity										
Common stock, no par value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	317.0	321.9	321.7	342.1	350.9	350.9	350.9	350.9	350.9	350.9
Retained earnings	182.7	238.3	252.2	311.7	372.1	424.1	522.2	619.2	695.0	771.6
Treasury stock	(17.1)	(11.5)	(4.2)	(18.3)	(21.0)	(21.0)	(21.0)	(21.0)	(21.0)	(21.0)
Accumulated other comprehensive loss	(39.5)	(42.4)	(1.4)	(52.2)	(107.9)	(116.5)	(116.5)	(116.5)	(116.5)	(116.5)
Hillenbrand Shareholders' Equity	443.1	506.3	568.3	583.3	594.1	637.5	735.6407	832.56751	908.38751	984.97811
Non-controlling interest	0.0	0.0	8.0	10.5	11.7	11.7	11.7	11.7	11.7	11.7
Total Liabilities and Equity	1180.7	1087.5	2003.2	1918.5	1808.1	1957.4	2038.7457	2122.7431	2189.9059	2259.9223